EXHIBIT F

Palestine Investment Fund Annual Report 2004

“ Strong Commitment....Steady Growth”

IN MEMORY OF YASSER ARAFAT

The management and Board of Directors of the Palestine Investment Fund (PIF) hereby dedicate the second Annual Report for 2004 to the memory of our departed leader, His Excellency Yasser Arafat. Yasser Arafat devoted his life to the dreams of the Palestinian people and the PIF represents to a large degree his personal efforts to secure the financial well -being of the Palestinian people.

As we remember our beloved leader for his ceaseless efforts on behalf of the Palestinian nation, we pledge our support to our President Mahmoud Abbas. The PIF Board thanks our new president for his valued counsel and his support of our work with the fund.

May God grant rest to the soul of Yasser Arafat, and may the peace that he sought so actively in his lifetime be God's gift to him in eternity.

“Strong Commitment....Steady Growth”

TABLE OF CONTENTS

“ Strong Commitment....Steady Growth”

CHAIRMAN'S STATEMENT

"Committed to Palestine: Towards the Achievement of Growth and Prosperity"

On behalf of the Board of Directors of the Palestine Investment Fund, I am pleased to present in this report the final audited financial statements, according to the highest international standards, of the fund's activities for the fiscal year 2004. As the statements indicate, the PIF assets have grown by 22 percent during this period thus primarily reflecting the proper execution of the medium term investment strategy which was approved by the Board of Director in year 2003.

I am pleased to take this opportunity to extend on behalf of the PIF's Board of Directors my sincere gratitude to the personnel of the Fund for all their exceptional efforts in implementing successfully the general directives of the Board.

As for the Managing Director Mohamed Rachid, the Board of Directors extends its sincere gratitude for his impeccable performance and professionalism in performing his duties, particularly in the early stages of the Fund's incorporation. I would also like to extend my thanks to my fellow Board members, especially the private sector representatives, for their determination and full support in promoting the Fund not only in terms of financial success, but also in my opinion, in terms of turning it into a symbol
of excellence in the management of public funds.

Dr. Salam Fayyad
Minister of Finance and Chairman of the Board of Directors
June 2005

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

"The remarkable increase in the value of assets is our solid commitment to our values and people"

By the publishing of this Annual Report; my resignation of July 2004 would have become effective. Although I was supposed to handover my responsibilities on 31/12/2004; but the sudden death of the late President Arafat delayed my departure for few months, as per the request of the PIF Board Members. In the last few months before my actual departure; we continued to work towards the Fund objectives in the legacy of our late president and also saw the effective heralding of the era of our new president, Mr. Mahmoud Abbas through a proud moment of democracy and continuity.

The PIF management, Board of Directors and Investment Committee faced many difficult days this year trying to maintain asset values and preserve performance levels of the investments. We are extremely proud of the fact that two years after the inception of the PIF, our average rate of return far exceeds industry benchmarks for similar investment funds. PIF's total assets have increased by more than 22% at the end of 2004, and by 28% for the first quarter of 2005.

My responsibilities as Managing Director have always been the foremost priority of my professional life. I am deeply grateful to the many people who placed their full confidence in my abilities, in particular my colleagues on the PIF Board. I will honor my commitment to our departed leader Yasser Arafat, whom I considered as a father, by standing ready to provide any form of consultation or assistance which may be needed in the future. Despite my parting with the fund effective April 2005 I remain always at the service of this nation and its noble cause.

I am extremely proud to have played a part in the PIF experience since its first days. As I leave my position to assume new tasks, I am completely assured that my fellow board members will carry on the work of the fund ably and will continue to achieve remarkable success. The team of professionals at PIF worked selflessly to build the foundations of the PIF. Our work not only meets but exceeds all international standards of transparency and accountability, and a strategic investment methodology that has fulfilled every expectation for the past two years. The impeccable rules of fund governance established by PIF management provide a blueprint for success for future fund management and Board members.

During the past two years, the growth ratio of the PIF's investments inside Palestine and abroad was extraordinary. The decision to concentrate on international investment holdings was not by mere chance. As experienced fund managers, we fully realized that we must first expand our capital base in order to provide a sustainable revenue stream to the Palestinian economy and to our government under siege.

At that time, precious few sound investment opportunities existed within Palestine due to the economic crisis caused by Israeli response to the Intifada. The decision to invest abroad was unpopular with many, yet, we felt it was our collective responsibility as fund managers to take the long view of the situation. It would have been a simple matter for us to bow to the critics and invest in projects which had little chance to generate needed returns. If the PIF Board had chosen this route, the fund's assets might have been completely depleted within a few years.

Thankfully, however, the assets of the PIF have grown now to the point that they can provide real, ongoing support to our economy in the coming years. We do not regret the choices we made, and we believe now, as we did then, that we acted in the best interests of the Palestinian people. I thank the Palestinian people for their trust in me over the years and thank my teacher the late Yasser Arafat for his confidence and support.

Finally ,allow me to say that having Dr. Salam Fayyad as the Chairman of the Board and the Minister of Finance ,is a continued cause for confidence in the area of transparency and the prudent management of public finance. The model created by Dr. Fayyad can be emulated for the region and perhaps in many other places. This is just the tip of the iceberg of Dr. Fayyads' abilities in exemplifying good governance and the management of public finance.

I wish my PIF Board colleagues every success in their future endeavors. I entrust them with the responsibilities which I have worked faithfully to discharge, and ask God to bless their efforts and guide them on their path as they work without pause in the best interests of our country.

Mohamed Rachid
Chief Executive Officer and Managing Director
June 2005

BOARD OF DIRECTORS

Dr. Salam Fayyad
Minister of Finance, Chairman of the Board of Directors

Sabih Masri
Vice Chairman of the Board of Directors

Maher Masri
Minister of National Economy, PIF BoardMember

Talal Nasiruddin
PIF Board Member

Samer Khoury
PIF Board Member - Through 27 February 2005

Jawdat Khoudary
PIF Board Member - Through 27 February 2005

Mohamed Rachid
Chief Executive Officer and Managing Director

" Strong Commitment....Steady Growth"

PALESTINE INVESTMENT FUND

The Palestine Investment Fund (PIF) promotes the stable growth of the Palestinian economy by stimulating Palestinian private sector investment, both domestic and foreign, and by encouraging the development of the national infrastructure needed for sustainable economic prosperity. The PIF also provides responsible stewardship of the assets and holdings of the Palestinian National Authority.

MISSION STATEMENT

The PIF's mission is to serve as a catalyst for socio-economic development in Palestine, and to raise the standard of living for the average Palestinian by placing capital and expertise in strategically important and under serviced sectors. The Fund is strategically refocusing all investments into Palestine to meet the growing needs of the Palestinian economy.

INVESTMENT PERFORMANCE REPORT
as of 31-12-2004

PIF INVESTMENT FUND PERFORMANCE:

The Palestine Investment Fund commenced its investment operations following the signing of the presidential decree in August 2002 which outlined the fund's role and wide ranging responsibilities in the development of the Palestinian economy via taking a leading role through its partnership with the private sector in attracting regional and overseas investments into Palestine.
The fund's total assets had increased from US$ 714 million at the beginning of 2003 to US$ 799 million at the end of 2003 and furthermore to US$ 1,011 million by the end of 2004 which equates to an increase of more than 12% and 26.5% respectively.
The fund was able to create high returns on its investments portfolio outside Palestine, while maintaining its investment positions inside Palestine.

INVESTMENTS IN PALESTINE:

The fund currently holds more than 26% of its assets in Palestine. The reason for this retraction has been the superior year over year performance of the fund's investment positions taken outside Palestine albeit the ensuing difficulties ravaging the Palestinian homeland and its troubled economy. In particular, the fund's investments in the fast growing regional telecom sector, PADICO, the insurance sector as well as the appreciation in real estate value held by the fund. These latter holdings will undoubtedly appreciate further in value should the present political negotiations lead to lasting peace and stability in Palestine.

- Palestine Telecommunications Company PALTEL had witnessed a significant increase in its market value throughout 2004. Its stock appreciated from US$ 4.40 per share at the beginning of last year to US$ 7.21 per share by the end of last year, equating to 66% increase for the year, given that the fund's ownership stake remained at 6.75% throughout 2004.
- Palestine Development and Investment Company PADICO had seen a similar increase in its market value during 2004, whereby its stock had risen from US$ 0.85 per share to US$ 1.39 per share or an increase of 64% during 2004.
- Ahleia Insurance Group AIG formerly known as Gaza Ahleia Insurance Company has seen its stock price appreciate from US$ 1.97 per share to US$ 4.35 per share throughout 2004 or an increase of 121% for the year.
- Palestine Electric Company has seen its value increase by 33% during 2004 reaching US$ 3,983,000 by the end of the year.
- Real Estate owned by the fund had appreciated in value along with the improvement in the overall socio-political climate and should witness further appreciation should the current peace talks lead to permanent stability in Palestine.
- Education curriculum and standards development and privatized higher education has and will continue to form an integral part of the fund's overall strategic planning process. Within this context, the fund had established the American School in Gaza part of an encompassing plan that included the establishment of a Canadian Polytechnic Institute in Gaza with a view to develop it into a fully accredited university. However, such plans had stalled due to the political and economic instability in Palestine. The fund intends to finance an independent fund under the supervision of independent affiliates to support ten distinguished and gifted students who are unable to pay for their schooling expenses. Over and above, the fund is currently funding schooling fees for other students in and out of Palestine.
- PIF also supports various socio-economic programs involving youth sports, culture, women, human rights and democracy. Examples of completed projects include building the Orthodox Center, Susan Mubarak Center for Peace and the Feta Center.

In addition, the fund had fully liquidated some of its positions within Palestine, and is in the process of liquidating further investments as follows:

- Peace Technology Fund: The fund had received US$ 211,000 in distributions during 2004, and the fund is currently in the final stages of fully disposing of its 35.21% ownership stake in this investment for a total consideration of US$ 6.7 million which translates into an overall return of approximately 102.8% for year 2004.
- National Beverage Company -Coca Cola: the fund is currently negotiating the full disposition of its 15% ownership position in this holding for a total consideration of US$ 3 million given that the book value for this holding amounted to US$ 2 million by the end of 2004.

INVESTMENTS OUTSIDE PALESTINE:

As noted previously, the fund had realized significant returns in its portfolio of investments outside Palestine, especially through its position in Orascom Telecom Holding OT and its subsidiaries in Algeria and Tunisia, leasing two Dash 8 airplanes and the sale of the Lear 60 jet which alone comprised a return of approximately 25%. The fund has also undertaken new investments in emerging markets.

- Orascom Telecom Holding's GDR price had increased from US$ 5.75 per GDR to US$ 21.01 during 2004. Or an increase of over 265%.
- Orascom Telecom's Algerian subsidiary "Djezzy" has appreciated from US$ 170 million to approximately US$ 265 million at the time of writing this report which equates to 56% increase in value.
- Orascom Telecom's Tunisian subsidiary "Tunisiana" has appreciated from US$ 70 million to approximately US$ 75 million at the time of writing this report which equates to 7% increase in value.
- Salam International Investment Company has seen an increase of 28% in value during 2004, reaching US$ 2,464,000 by the end of the year.
- Aviation Project: Dash 8-315 airplanes Serial Number 546 & 549: The fund had entered into leasing agreements for both the aforementioned aircraft with FLY BABOO headquartered in Geneva, Switzerland in April 2004 for a three year period ending in August 2007 for the amount of US$ 75,000 per month per plane in addition to a maintenance reserve in the amount of US$ 235 per flying hour which translates into annual revenues of approximately US$ 2.8 million for both aircraft.

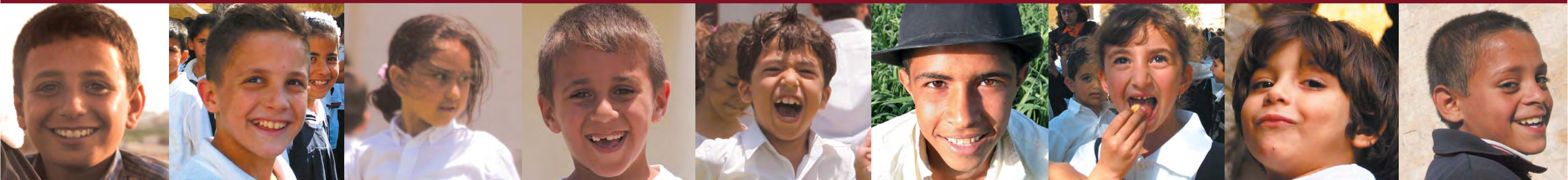
INVESTMENT STRATEGY FOR 2005:

The fund management investment strategy for this year will focus on investments in Palestine necessitating the need to liquidate certain regional and foreign investments as well as other marginalized holdings as part of a restructuring plan to allocate 50% of the fund's total value for investments in Palestine within the next two years. This strategy will enable the fund to have sufficient liquidity and ready capital to initiate wide ranging economic development plans across a myriad of sectors in close cooperation with the private sector. In addition the Fund intends to get involved in infrastructure development and privatization plans involving large scale enterprises which in turn will help in the improvement of the individual standard of living through job creation and employment opportunities for the people.

The fund will also assist distressed companies through the establishment of a specialized fund which will conduct extensive studies and undertake feasibility analyses for such distressed firms which have been adversely affected due to the deteriorating political situation since 2000. This proposed fund will inject much needed capital to improve cash flow which in turn should enable such distressed companies to re-initiate operations and return to financial and economic viability.

The fund management is in the process of setting out its plans in anticipation of the much awaited Israeli pull out from Gaza and northern west bank, through the provision of an investment funding vehicle to take optimum advantage of the anticipated withdrawal. This funding vehicle will in turn take a leading role in privatization plans and initiation of new investment opportunities for Palestine.

"Strong Commitment....Steady Growth"



"Strong Commitment....Steady Growth"

For more information or to get
a copy of this annual report contact:

Palestine Investment Fund
Palestine:
Hanadi Tower
Al Rashid Street
Next to Gaza International Hotel
and opposite to Fish Market
El Rimal Al Janobi
Gaza
Tel. +970 82866609

Egypt:
1191 Corniche El-Nil
Hilton Residence 9th Floor
World Trade Center
Cairo, Egypt
Tel. +20 2 574-4778
Fax. +20 2 574-4885

Ellam Tam - The Communications
& Public Relations Co.
Al Bireh – Ramallah – Palestine
Tel. +970 2 2409105/7
Fax. +970 2 2409106

www.palestineinvestmentfund.com

Palestine Investment Fund
صندوق الإستثمار الفلسطيني

Financial Performance

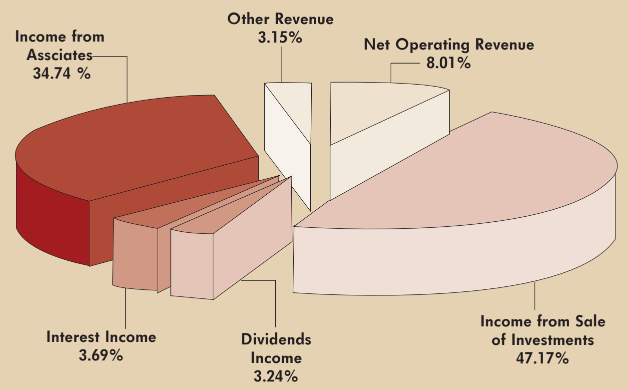
This report briefly reviews the performance of the Palestinian Investment Fund (PIF) and in more detail, the financial statements of PIF, which include the results of its consolidated operations in Palestine as well as in other countries.

Results of Operations for The year Ended December 31, 2004

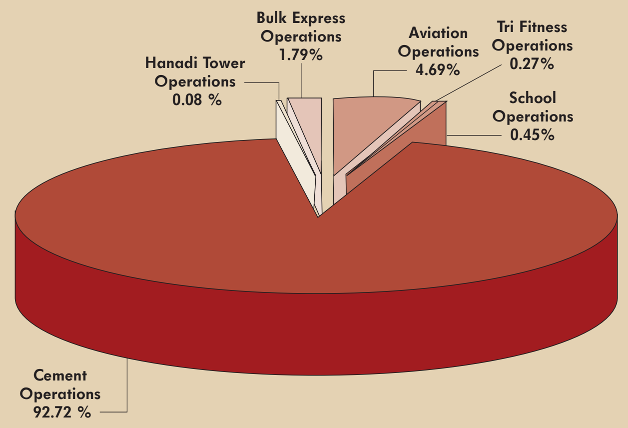
Revenue

In 2004, PIF revenues amounted to around US$ 159 million, as follows:

Revenue Breakdown



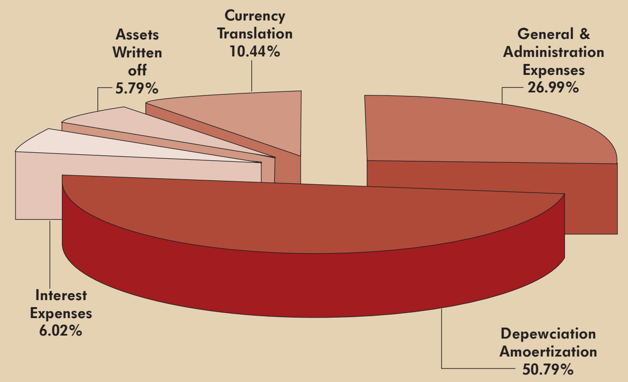
Breakdown of Operating Revenue



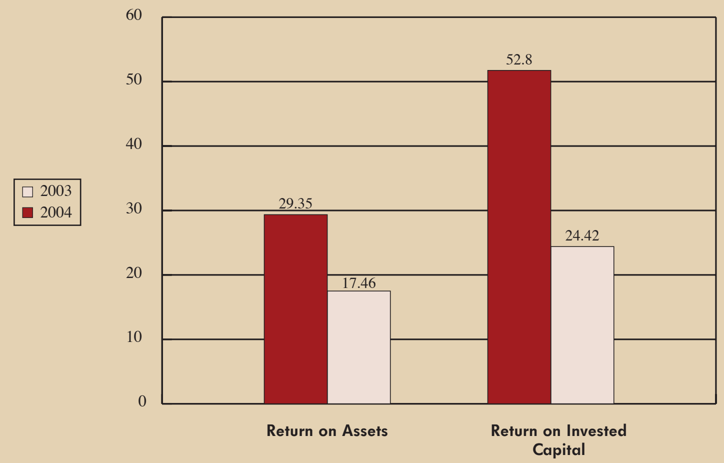
Expenses

Expenses accounted for around 23.28% of revenues and included the following:

Breakdown of Expenses



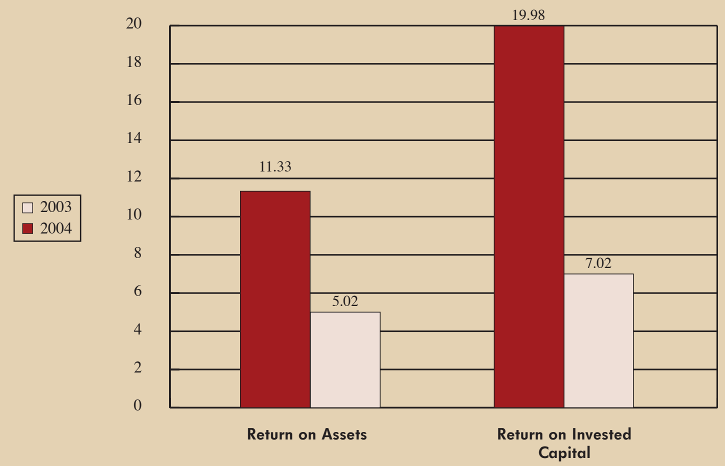
Realized + Unrealized Return on Investment



Return on Investments

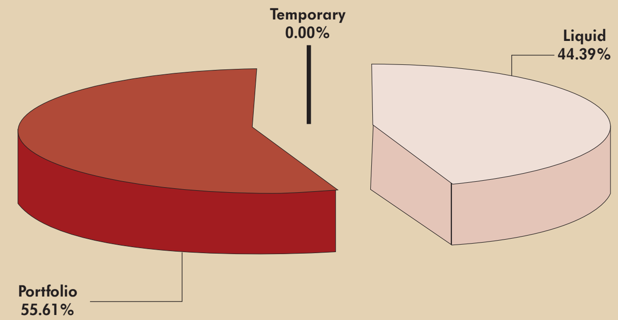
In 2004, PIF's realized and unrealized gain amounted to US $ 297 million, representing 52.8% return on invested capital.

Realized Return on Investment



In 2004 PIF net income amounted to around US$ 115 million at earnings per share of US$ 0.20.

Investments by Type

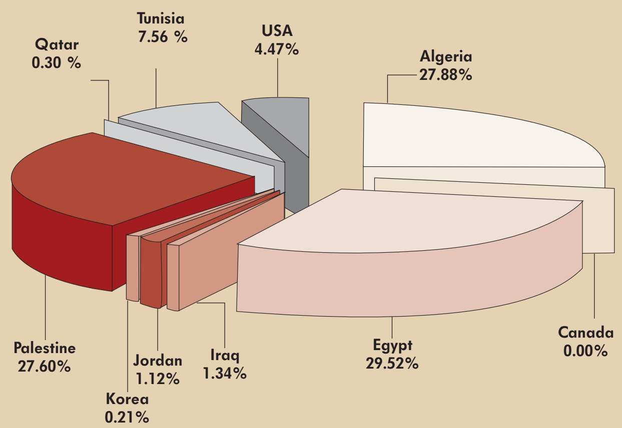


Investments

PIF's investments amounted to around US$ 822 million in 2004. The majority of these investments were in portfolios and the remaining portion was in liquid assets:

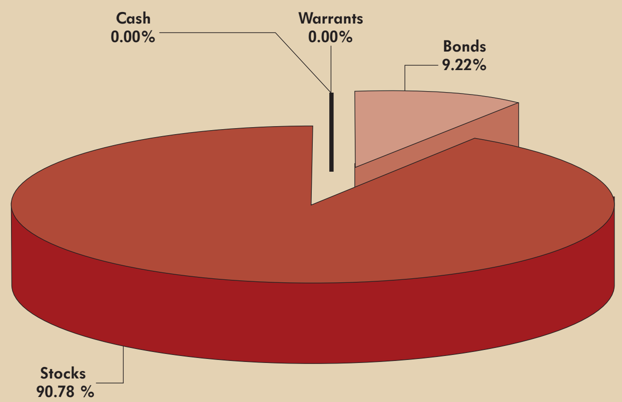
Around 30% of PIF's investments are in Egypt, followed by Algeria at around 28% and Palestine at approximately 28%. The following chart depicts PIF's investments by country for the year 2004:

Investments by Country



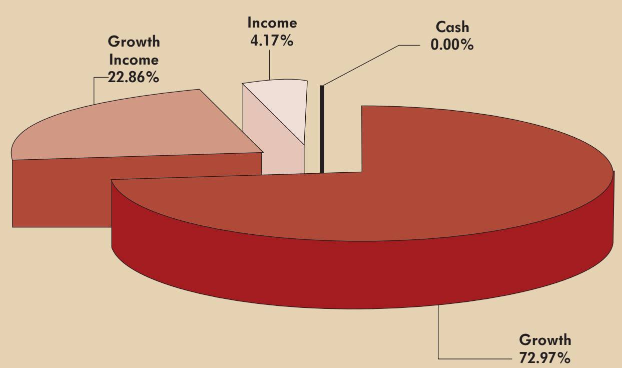
The vast majority of investments were in shares (almost 90.78%) with the remainder being in bonds:

Investments by Asset Allocations

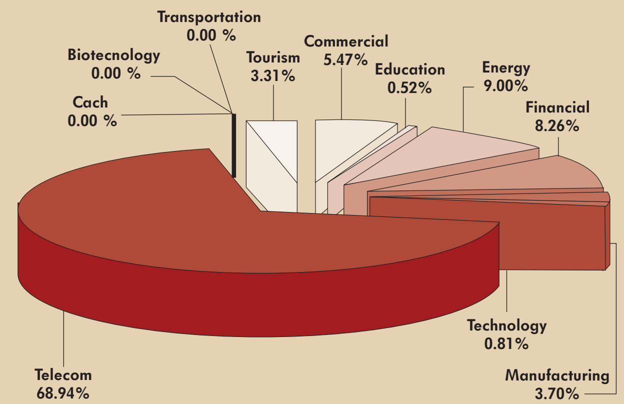


PIF's investments objectives were mainly for growth and income purposes:

Investments by Objective

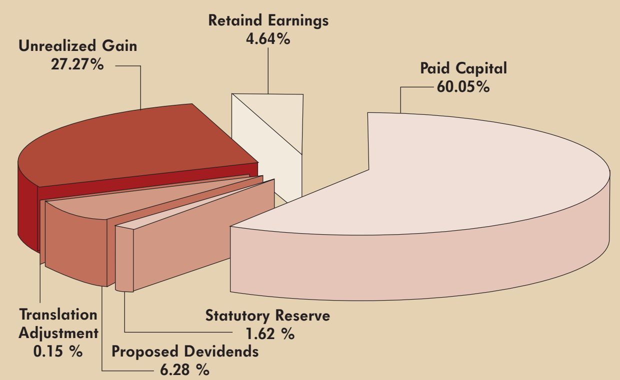


Investments by Industry



Although PIF investments are distributed among a large number of industries, the majority was in telecom, energy, and the financial sector.

Equity Components



Equity Components

In 2004, PIF equity components were as follows:

Selected Ratios	2004	2003
Book Value per Share	1.67	1.24
Debt to Equity	0.06	0.12
Dividend Payout Ratio	10.45%	6.1%
Operating Margin	76.7%	56.5%
Net Profit Margin	71.9%	47.2%

Where,
- Book value per share is the ratio of net assets to weighted average number of shares
- Debt to equity is the ratio of total liabilities to total shareholders' equity
- Dividend payout is the ratio of proposed dividends to invested capital
- Operating margin is the ratio of operating profit to total revenue
- Net profit margin is the ratio of net income to total revenue

AS OF DECEMBER 31, 2004

ERNST & YOUNG

P.O.Box: 1140
Amman 11118
Jordan

Telephone : 5526111
5527666
Fax : 5538300

TO THE SHAREHOLDER OF
PALESTINE INVESTMENT FUND COMPANY
Gaza - Palestine

We have audited the accompanying consolidated balance sheet of **PALESTINE INVESTMENT FUND COMPANY (PIF)** as of December 31, 2004 and the related consolidated statements of income, changes in shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Palestine Commercial Services Company (PCSC), Palestine Technology and Educational Complex (American School), Hanadi Tower Company and Bulk Express Company as of December 31, 2004, whose total assets equal 4.3% while its operating revenue equals 47% of the Palestine Investment Fund Consolidated Financial Statements as of December 31, 2004 were audited by other auditors. Saba & Co. issued their unqualified opinion on the financial statements of Palestine Commercial Services Company, Palestine Technology and Educational Complex (American School) and Hanadi Tower, while other auditor issued their unqualified opinion on the financial statements of Bulk Express Company.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **PALESTINE INVESTMENT FUND COMPANY** as of December 31, 2004, the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Palestine Investment Fund Company is contingently liable for costs associated with winding down the operations of some investments that were transferred by the Palestine National Authority to Palestine Investment Fund. The amount of liability, if any, is not quantifiable and therefore was not provided for in the attached financial statements.

Ernst + Young

Amman - Jordan
April 9, 2005

A Member of Ernst & Young Global

PALESTINE INVESTMENT FUND COMPANY

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004

(In U S Dollars)

Assets	Notes	2004	2003
Cash on hand and at banks	3	47,246,134	43,787,006
Accounts Receivable, net	4	22,174,210	38,423,893
Due from Palestinian National Authority		9,803,635	4,573,792
Available for sale investments	5	428,289,615	272,739,480
Investments in associates	6	291,802,154	237,643,854
Loans originated by the fund	7	53,458,896	35,325,000
Investment properties	8	10,800,542	19,403,570
Projects in process, net		20,547,928	31,180,009
Other assets	9	31,187,411	8,973,535
Fixed assets, net	10	57,342,132	55,669,653
Goodwill, net	11	39,219,775	51,711,502
Total Assets		**1,011,872,432**	**799,431,294**
Liabilities and Equity			
Liabilities -			
Due to banks	12	9,082,635	8,857,091
Accounts payable		12,933,595	15,748,443
Other liabilities	13	9,547,958	23,797,732
Short term loans	14	5,000,000	17,642,714
Current portion of lease obligations	15	5,224,658	1,225,710
Total Current Liabilities		**41,788,846**	**67,271,690**
Long-term lease obligations	15	14,118,433	19,396,071
Total Liabilities		**55,907,279**	**86,667,761**
Minority share		123,246	-
Equity -	16		
Issued Capital		574,000,000	500,000,000
Advance on capital increase		-	71,740,227
Statutory reserve		15,480,814	4,012,864
Proposed dividend		60,000,000	35,000,000
Translation adjustment		1,391,202	1,408,529
Net unrealised gains on available for			
sale investments	17	260,642,564	99,486,139
Retained Earnings		44,327,327	1,115,774
Total Equity		**955,841,907**	**712,763,533**
Total liabilities and Equity		**1,011,872,432**	**799,431,294**

The accompanying notes from 1 to 27 are an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2004

(In U S Dollars)

	Notes	2004	2003
Operating Revenues, net	18	12,777,058	7,849,333
Income from sale of investment		75,228,997	19,391,328
Dividend income		5,168,346	2,165,526
Interest income		5,877,325	5,039,866
Income from associates		55,410,250	30,492,688
Currency difference of exchange		(3,875,704)	20,129,387
Other revenues, net		5,016,770	-
Total income		**155,603,042**	**85,068,128**
Expenses			
General and administrative expenses	19	(10,023,084)	(11,070,659)
Depreciation and amortization expenses		(18,847,995)	(18,786,068)
Interest expenses		(2,233,718)	(2,745,158)
Assets written off		(2,150,337)	(1,936,520)
Other expenses, net		-	(2,413,838)
Total expenses before provisions		**(33,255,134)**	**(36,952,243)**
Assets' impairment		(1,120,000)	(1,930,000)
Provision for doubtful accounts and advances		(578,680)	(4,057,247)
Other provisions		(5,922,933)	(2,000,000)
Net income before minority share		**114,726,295**	**40,128,638**
Minority share		(46,792)	-
Net income for the year		**114,679,503**	**40,128,638**
Earnings per share	**20**	**0. 20**	**0.07**

The accompanying notes from 1 to 27 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2004

(In U S Dollars)

	Issued Capital	Advances on capital increase	Statutory reserve	Proposed dividends	Translation adjustment	Net unrealised gains on available for sale investments	Retained Earnings	Total
Balance as of 1 January 2003	-	-	-	-	-	-	-	-
Issue of share capital	500,000,000	71,740,227	-	-	-	-		571,740,227
Net profit	-	-	-	-	-		40,128,638	40,128,638
Transfers	-	-	4,012,864	-	-		(4,012,864)	-
Net unrealised gains on available for sale investments	-	-	-	-	-	99,486,139	-	99,486,139
Translation Adjustment	-	-	-	-	1,408,529	-	-	1,408,529
Proposed dividend	-	-	-	35,000,000	-	-	(35,000,000)	
Balance as of 31 December 2003	**500,000,000**	**71,740,227**	**4,012,864**	**35,000,000**	**1,408,529**	**99,486,139**	**1,115,774**	**712,763,533**
Advance on capital increase	-	2,259,773	-	-	-	-	-	2,259,773
Net profit	-	-	-	-	-	-	114,679,503	114,679,503
Transfers	74,000,000	(74,000,000)	11,467,950	-	-	-	(11,467,950)	-
Net unrealized gains on available for sale investments	-	-	-	-	-	161,156,425	-	161,156,425
Translation adjustment	-	-	-	-	(17,327)	-	-	**(17,327)**
Paid dividends	-	-	-	**(35,000,000)**	-	-	-	**(35,000,000)**
Proposed dividends	-	-	-	60,000,000	-	-	**(60,000,000)**	
Balance as of 31 December 2004	**574,000,000**	**-**	**15,480,814**	60,000,000	**1,391,202**	**260,642,564**	**44,327,327**	**955,841,907**

CONSOLIDATED STATEMENT OF THE CASH FLOWS FOR THE YEAR ENDED ON DECEMBER 31, 2004

(In U S Dollars)

Cash flows from operating activities	2004	2003
Net Income	114,679,503	40,128,638
Adjustments for -		
Net finance cost	(3,643,607)	(2,294,708)
Income from associate	(55,410,250)	(30,492,688)
Gain (loss) from foreign currency revaluation	3,875,704	(20,087,295)
Dividend income	(5,168,346)	(2,165,526)
Depreciation and amortization	18,847,995	18,786,068
Gain on disposal of available-for-sale investments	(75,228,997)	(19,391,328)
Assets impairment losses	1,120,000	1,930,000
Provisions	1,594,000	6,057,247
Operating profit (loss) before working capital changes	**666,002**	**(7,529,592)**
Decrease (increase) in accounts receivable	10,494,036	(35,394,907)
Deposit – Palestinian Ministry of Finance	-	(35,814,290)
Increase in other assets	(25,381,661)	(5,897,321)
(Decrease) increase in accounts payable	(2,814,848)	9,848,443
Decrease in other liabilities	(2,215,585)	(10,491,623)
Cash used in operations	(19,252,056)	(85,279,290)
Interest paid	(2,464,875)	(2,455,802)
Net cash flows used in operating activities	**(21,716,931)**	**(87,735,092)**
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(2,190,354)	(390,584)
Purchase of investment property	2,986,532	(6,198,114)
Purchases of available-for-sale financial assets	(254,638)	(5,976,497)
Projects in progress	6,702,081	(10,910,009)
Proceeds from sale of available-for-sale financial assets	81,089,925	123,332,029
Loans originated by the fund	(25,855,145)	(35,325,000)
Proceeds from loans originated by the fund	7,821,249	-
Investments in associate	806,246	(37,265,750)
Dividend income	5,168,346	2,165,526
Interest received	8,047,618	1,963,652
Net cash flows from investing activities	**84,321,860**	**31,395,253**
Cash flows from financing activities		
Increase in capital	1,659,773	-
Paid dividends	(52,000,000)	-
Payment of finance lease obligations	(1,278,690)	(1,284,410)
Repayment of loan	(17,642,714)	(24,666,506)
Proceed from overdraft facility	225,544	900,553
Proceed form short-term borrowing	5,000,000	14,000,000
Net cash flows used in financing activities	**(64,036,087)**	**(11,050,363)**
Net decrease in cash	(1,431,158)	(67,390,202)
Cash and cash equivalent, beginning balance	7,972,716	73,954,389
Net foreign exchange difference	(17,327)	1,408,529
Cash and cash equivalent, as of December 31, 2004	**6,524,231**	**7,972,716**

The accompanying notes from 1 to 27 are an integral part of these financial statements

1) General

Palestine Investment Fund Company (PIF), a Public Shareholding Company, was incorporated in Gaza under number 56200718, on March 17, 2003 with a share capital of US$ 500,000,000. The Board of Directors decided in their meeting held on March 28,2004 to increase the company's capital to be US$ 574,000,000 through capitalising the advance on capital. The sole shareholder of the company is the Palestinian National Authority.

The company was established as a result of a decree issued by the President of the Palestinian National Authority on October 1, 2000, which stipulated the transfer of all Palestinian National Authority investments to the Palestine Investment Fund. The fair market value of the investments transferred was designated as the Palestinian National Authority share in the new Company's capital. The company commenced its' operations on January 1, 2003.

Palestine Investment Fund Company (PIF) aims to acquire/invest, and to sell/dispose off all types of investments that promote economic growth and infrastructure development in Palestine. PIF also seeks to stimulate private sector investment, both domestic and foreign, to achieve sustainable long-term economic prosperity for Palestine.

A portion of the Palestine Investment Fund assets and liabilities (including investments and loans originated by the fund) are still registered in Palestine Commercial Services Company name.

The number of employees in the Fund and its' subsidiaries was 264 and 223 employees as of December 31, 2004 and 2003 respectively.

The Financial Statements were approved by the Board of Directors in their meeting held on April 9, 2005.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board and interpretations issued by International Financial Reporting Interpretations Committee under the historical cost convention except for available for sale investments, which are stated at their fair values.

The accounting policies adopted in the preparation of the Fund financial statements and its subsidiaries are consistent with those used in previous year.

Following is a summary of significant accounting policies:

2.1Consolidated Financial Statements -

The consolidated financial statements comprise the assets and liabilities and the results of operations of Palestine Investment Fund Company (PIF) and its following subsidiaries:

	Country	Ownership	Activity
Palestine Commercial Services Company	Palestine	100%	Cement trade
American International School	Palestine	100%	Elementary & High school
Hanadi Tower	Palestine	100%	Investment real estate complex
Tri Fitness Company	Palestine	100%	Fitness center
Bulk Express Company	Palestine	60%	Cement shipping

The consolidated financial statements were prepared after the elimination of current accounts and inter- company transactions.

2.2 Cash and Cash Equivalents -

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.3 Available for Sale Investment -

The investments are classified, in accordance with the IAS 39 Financial Instruments: Recognition and Measurement, into the following categories: held to maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity are classified as held to maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments are classified as available for sale.

All purchases and sales of investments are recognized on the trade date.

Investments are initially measured at cost, which is the fair value of the consideration given for acquiring the investment, including transaction costs.

Available for sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.
Gains or losses on measurement to the fair market value of available for sale investments are recognized directly in the " Net unrealized gains on available-for-sale investment" in the shareholders' equity.

2.4 Fair Value -

For financial instruments investments traded, fair value is determined by reference to quoted market prices.
Where no quoted market prices are available, a reasonable estimate of fair value is used based on one of the following methods:

- Comparison with the current market value of a similar financial instrument.
- Forecasted discounted cash flow.
- Options pricing models.

In case the fair value of an investment can not be reliably measured, it is stated at cost or amortized cost, any impairment in the value is recorded in the statement of income.

2.5 Impairment -

At each reporting date, the Fund assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Fund makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

2.6 InvestmEnts in Associates -

The Fund's investments in associates are accounted for under the equity method of accounting. These are entities in which the Fund has between 20% to 50% of the voting power or over which it exercises significant influence. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the company's share of net assets of the associate, less any impairment in value. The income statement reflects the Fund's share of the results of its associates.

2.7 Investment in Real Estate -

Buildings are stated at cost less accumulated depreciation and impairment provision. Buildings are depreciated using the straight line method at an annual rate of 5%.
Investment in land is stated at fair market value reported by Standard and Poor's as of January 1, 2003.

2.8 Goodwill -

Goodwill represents the excess of the fair value assigned to the net tangible assets of businesses acquired over PIF share in the shareholder's equity. Goodwill is amortized on a straight line basis over 5 years. Periodically, the Fund reviews the recoverability of goodwill. The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis. It is management's opinion that no material impairment exist at December 31, 2004.

2.9 Fixed Assets -

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. Fixed assets are depreciated over the estimated useful lives using straight - line method with annual rates ranging from 2% to 50%. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

2.10 Leases -

Finance leases, which transfer to the Fund substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

2.11 Translation of the Financial Statements of Foreign Subsidiaries -

The financial statement of subsidiaries where the local currency is the functional currency are translated into U.S Dollars using exchange rates in effect at period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

2.12 Revenue Recognition -

2.12.1 Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

2.12.2 Investment revenue is recognised for the difference between the book value and the selling price on the transaction date. The re-evaluations of the investments are recorded according to the investment policy mentioned in 2.3 above. The revenues from associated companies are recorded according to the investment policy mentioned in 2.6 above.

2.12.3 Interest revenue is recognised as the interest accrues.

2.12.4 Dividends revenue is recognised when the shareholders' right to receive the payment is established.

2.13 Provision -

Provision are recognized when the Fund has a present obligation (legal or constructive as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.14 Foreign Currency -

Assets and liabilities denominated in foreign currencies are translated to United States Dollars using the prevailing exchange rates at year-end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the statement of income.

(3) Cash on Hand and at Banks

This item consists of the following:

	2004	2003
Cash on hand	851,486	687,889
Cash at banks	5,672,745	7,284,827
Deposits *	40,721,903	35,814,290
	47,246,134	**43,787,006**

* This amount represents a deposit placed under the name of the Palestinian Ministry of Finance. This amount is restricted, and is not available for use by PIF.

(4) Accounts Receivable

This item consists of the following:

	2004	2003
Orascom Telecommunication Holdings	72,549	7,240,801
Palestine Telecommunication Company	-	15,087,352
Palestine Pension Fund	20,835	4,951,092
Orascom Telecommunication Tunisie S.A. *	13,296,835	2,738,264
Alberta Ltd.	-	1,087,571
Checks under collection	4,613,493	2,378,389
Cement trading receivable	3,169,701	4,708,699
Students receivable	316,490	209,289
Others	1,800,786	717,124
	23,290,689	**39,118,581**
Provision for doubtful debts	(1,116,479)	(694,688)
	22,174,210	**38,423,893**

* This amount was collected in 2005.

(5) Available for Sale Investments

This item consists of the following:

	2004	2003
Investments in companies with quoted shares	299,089,681	152,386,969
Investments in companies with unquoted shares	84,225,048	85,125,020
Portfolios investments	44,974,886	35,227,491
	428,289,615	**272,739,480**

* The available for sale investments include mortgaged shares against credit facilities of US$ 5,000,000 as of December 31,2004, these shares are owned by the Palestine Investment Fund.

(6) Investment in Associates

Palestine Investment Fund investment in associate are as follows:

Name	Country	Ownership	Balance at December 31,2004
Cap Holdings Oasis Hotel Casino Resort	Palestine	23.08%	21,571,722
Palestine Tourism Investment Company	Palestine	22.05%	2,358,699
Engineering Technicians Company for Contracting			
and Maintenance	Palestine	45%	139,261
Grand Park Hotel & Resorts	Palestine	25.78%	-
Al-Ahlia Trading and Industrial Services Company	Jordan	45%	206,820
Orascom Telecommunication Tunisie S.A.*	Tunisia	22.03%	62,172,447
Orascom Telecommunication Algerie Spa*	Algeria	25.29%	202,005,357
Al Sharq (Cement Trading, Transporting			
and Marketing)	Palestine	50%	700,000
Al Sharq for Tourism	Palestine	50%	2,647,848
			291,802,154

* Palestine Investment Fund has an indirect ownership in those two companies through it's direct ownership in Orascom Tunisia Holding Ltd., BVI, Cathage Consortium Ltd. (Tunis) and its direct ownership in Oratel International Ltd. BVI (Algerie).

The Palestine Investment fund investment in Orascom Telecommunication
Algerie Spa and Tunisia S.A -
During 2005, Palestine Investment Fund agreed to sell all of its holding in Orascom Telecommunication Algerie Spa and Tunisia S.A to Orascom Telecom Holding.

(7) Loans Originated by the Fund

This item consists of the following:

	2004	2003
Orascom Telecom Holding Company	27,178,751	35,000,000
Grand Park Hotel	600,000	-
Investment loans	14,855,145	-
Hancock Overseas Company	11,000,000	-
Arab Paper Hygienic Product Company	325,000	325,000
	53,958,896	**35,325,000**
Less: Provision for doubtful loans	(500,000)	-
	53,458,896	**35,325,000**

Orascom Telecom Holding Company –

Palestine Commercial Services Company granted Orascom Telecom Holding Company a loan of USD 35,000,000 on December 11,2003 bearing an interest rate of libor + 3% per annum which was subsequently amended to a fixed rate of 8% per annum with a maturity date of December 31, 2004. The loan was repaid in full during 2005.

The Arab Paper Hygienic Product Company (Carmen)-

Palestine Investment Fund granted Arab Paper Hygienic Product Company a loan of USD 325,000 on September 2, 2003 bearing an interest rate of 10% with a maturity date of March 1, 2004. The maturity of the loan was extended for additional year to be due on March 1, 2005.

Grand Park Hotel -

Palestine Investment Fund granted Grand Park Hotel a short term non interest bearing loan of USD 600,000.

Investment Loans -

Palestine Investment Fund granted an investment loan of USD 15,000,000 on June 1, 2004 bearing an interest rate of 2% per month. The loan was paid in full during 2005.

Hancock Overseas Corporation Company -

On June 20, 2004, Palestine Investment Fund granted Hancock Overseas Corporation Company a loan of USD 11,000,000 for the purposes of financing the construction and operation of a power plant in Al-Muthana Cement Plant, in Iraq. The loan bears an annual interest rate of 8%, and is repayable in two equal instalments as follows:

1. First instalment: 50% of the loan (in addition to the accrued interest on the full principal of the loan) should be paid within one year of the date of operation of the Power Plant.
2. Second instalment: 50% of the loan (in addition to accrued interest on the remaining amount of the loan) should be paid within two years of the date of operation of the Power Plant.

The loan was granted against a promissory note and the Palestine Investment Fund has in case of default, the right to convert the loan into shares equivalent to 33.3% of the company's paid in capital. Palestine Investment Fund will be entitled to 50% of the net profit generated by the Company for a period of 5 years commencing from the date of operation.

(8) Investment Properties

This item consists of the following:

	2004	2003
Investments in lands	9,346,470	11,670,602
Investments buildings	1,615,636	7,813,750
	10,962,106	**19,484,352**
Less: Accumulated depreciation	(161,564)	(80,782)
	10,800,542	**19,403,570**

(9) Other Assets

This item consists of the following:

	2004	2003
Accrued interest income	905,921	3,076,214
Cash margin against letter of credit	2,800,000	2,800,000
Advances to Palestine Ministry of Finance	22,500,000	-
Advances to suppliers	1,867,149	1,859,823
Value added taxes	889,911	935,342
Employees receivables	1,125,440	935,203
Affiliated company receivable	1,663,909	-
Prepaid expenses	523,649	438,887
Inventory	88,099	150,169
Refundable deposits	1,863	58,535
Others	1,389,692	511,362
	33,755,633	**10,765,535**
Less: Provision for uncollectable advances	(2,568,222)	(1,792,000)
	31,187,411	**8,973,535**

(10) Fixed Asset

This item consists of the following:

	Land	Buildings	Aircrafts *	Aircraft Components	Vehicles	Equipment, machinery and computer	Furniture, fixture and decoration	Projects in progress (Tri fitness)	Total
Cost –									
January 1, 2004	1,129,036	7,053,800	49,000,000	322,000	869,372	1,464,639	807,045	2,740,754	63,386,646
Additions	526,777	5,454,932	-	-	545,432	327,301	176,710	1,156,091	8,187,243
Retirements	-	632,589	-	81,197	-	15,642	4,039	-	733,467
At December 31, 2004	**1,655,813**	**11,876,143**	**49,000,000**	**240,803**	**1,414,804**	**1,776,298**	**979,716**	**3,896,845**	**70,840,422**
Accumulated Depreciation -									
January 1, 2004	-	1,048,927	4,900,000	32,300	662,123	760,505	313,138	-	7,716,993
Additions		367,768	4,900,000	24,123	351,642	246,345	82,929	-	5,972,807
Retirements	-	186,942	-	529	-	-	4,039	-	191,510
At December 31, 2004	-	**1,229,753**	**9,800,000**	**55,894**	**1,013,765**	**1,006,850**	**392,028**	-	**13,498,290**
Net carrying amount at December 31, 2004	**1,655,813**	**10,646,390**	**39,200,000**	**184,909**	**401,039**	**769,448**	**587,688**	**3,896,845**	**57,342,132**
Net Carrying amount at December 31, 2003	1,129,036	6,004,873	44,100,000	289,700	207,249	704,134	493,907	2,740,754	55,669,653
Depreciation rate	-	2% - 5%	10%	10%	15%-25%	5%-50%	5%-50%	-	

* Two Dash-8 aircraft with a cost of USD 19,500,000 are registered under the name of the Palestinian Airlines, for which the Fund had obtained a Trust Deed for the ownership of these aircraft.

(11) Goodwill, Nets

In connection with the Palestinian National Authority contribution to the Palestine Investment Fund capital, the excess of the fair market value of the investment in associates and subsidiaries over PIF ownership share in the shareholders equity of the company were reported as goodwill. The goodwill is being amortized using the straight line method over 5 years.

	2004	2003
Goodwill	65,184,564	64,639,377
Goodwill Amortization	(25,964,789)	(12,927,875)
	39,219,775	**51,711,502**

(12) Due to Banks

This item represents the utilized balance of the credit facilities obtained by the Palestine Commercial Services Company from Palestine Investment Bank with a ceiling of US $ 9,000,000 at an interest rate of 5%. This facility was transferred to Palestine Investment Fund during 2004.
The facility is guaranteed by the pledge of 2,112,000 shares of PADICO and 550,000 shares of Palestine Telecom Company. These shares are owned by the Palestine Investment Fund.

(13) Other Liabilities

This item consists of the following:

	2004	2003
End of service benefits	1,558,751	1,415,819
Unearned interest	-	2,074,525
Accrued expenses	275,205	927,256
Advances for aircraft rentals	450,000	-
Accrued interest expense	58,198	289,355
Contractors retention	-	69,183
Other reserves	6,907,613	2,000,000
Due to PNA from prior year income	-	17,000,000
Others	298,191	21,594
	9,547,958	**23,797,732**

14) Short Term Loan

This item consists of the following:

	2004	2003
Arab bank loan	-	3,642,714
Cairo Amman Bank	-	14,000,000
Cairo Amman Bank *	5,000,000	-
	5,000,000	**17,642,714**

* Cairo Amman Bank

On September 31, 2004 Palestine Investment Fund was granted a loan amounting to 5,000,000 US Dollars. The loan is Subject to an annual interest rate of LIBOR plus 2% with a minimum interest rate of 3% which is payable quarterly. The loan is payable on June 30, 2005.

The loan is guaranteed by the pledge of 3,000,000 GDR shares of Orascom Telecom Holding Company and 1,890,000 shares of Palestine Telecom Company.

(15) Lease Obligation

This item consists of the following:

	Challenger 604	Learjet 60	2004 Total	2003 Total
Short term obligations	664,284	4,560,374	5,224,658	1,225,710
Long term obligations	14,118,433	-	14,118,433	19,396,071
	14,782,717	**4,560,374**	**19,343,091**	**20,621,781**

Challenger 604 Lease Agreement

The lease agreement was signed on October 8, 2002. The term of the agreement is for seven years. Interest on the lease is computed based on LIBOR plus 3.35% with a minimum interest rate of 5.35%.
The lease is guaranteed by retaining the ownership of the aircraft until Leasee perform all the obligations under the lease agreement, in addition to a letter of credit of US$ 1,500,000.

Learjet model 60 Lease Agreement

The lease agreement was signed on March 22, 2002. The term of the agreement is for seven years. Interest on the lease is computed based on LIBOR plus 3.51%, with a minimum interest rate of 5.51%.
The lease is guaranteed by promissory note of USD 6,120,000 together with interest due on the lease agreement, in addition to a letter of credit of USD 1,300,000.
The total balance of this obligation was settled in year 2005.

(16) Share Holders Equity

- **Issued Capital**

The issued capital of the Fund consists of all assets and liabilities transferred from the Palestinian National Authority to the company, valued at their estimated fair market value, as issued and determined by Standard and Poor's.
The details of the Palestinian National Authority (PNA) capital contribution is as follows:

	2004	2003
Balance at January 1,	571,740,227	-
Fair Market Value of investments		
contributed by the PNA	3,000,000	574,148,734
Cash balances contributed and retained by the PNA	1,649,133	73,954,389
	576,389,360	**648,103,123**
Liabilities and commitments	(2,389,360)	(44,362,896)
Net assets contributed by the PNA	574,000,000	603,740,227
Due to PNA for prior years' income	-	(32,000,000)
	574,000,000	**571,740,227**

The net fair value of the assets and liabilities contributed to Palestine Investment Fund were allocated during 2003 to the capital and advance on capital increase.

- Advance on capital increase

The advance on capital increase represents the difference between the registered and issued capital and the total fair market value (excluding associated liabilities) of the contribution made by the Palestinian National Authority to the Fund capital.

During 2004, the advance on capital increase was transferred to the issued capital.

- **Statistical Reserve**

This amount represents the appropriations at 10% of net income. This reserve is not available for distribution to shareholders.

- **Proposed Dividend**

The Board of Directors resolved during 2004 to distribute USD 35,000,000 as dividends related to 2003 net results, in accordance to the Palestinian Legislative resolution.
The Board of Directors resolved in the meeting held on April 9, 2005 to distribute USD 60,000,000 as dividend related to 2004 net results.

(17) Unrealized Gains on Available for Sale Investments

This amount include an unrealized revaluation gain of the Fund's investment in Orascom Telecommunication Holding Company shares of USD 228,620,583 and USD 95,617,600 as of December 31, 2004 and 2003 respectively.

(18) Operating Revenue, Net

This item consists of the following:

	2004		
	Revenue	Cost	Net Revenue (loss)
Aviation operations	3,886,955	2,715,546	1,171,409
Cement operations	76,888,290	64,535,443	12,352,847
School operations	372,175	1,314,694	(942,519)
Tri Fitness center operations	220,836	382,930	(162,094)
Hanadi Tower	69,166	27,067	42,099
Bulk Express Company	1,486,011	1,170,695	315,316
	82,923,433	**70,146,375**	**12,777,058**

	2003		
	Revenue	Cost	Net Revenue (loss)
Aviation operations	2,392,154	2,890,796	(498,642)
Cement operations	62,604,128	53,169,375	9,434,753
School operations	564,286	1,606,549	(1,042,263)
Tri Fitness center operations	221,431	265,946	(44,515)
	65,781,999	**57,932,666**	**7,849,333**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(19) General and Administration Expenses

This item consists of the following:

	2004	2003
Salaries and wages	4,722,971	3,486,135
Travel expenses	544,958	1,017,379
Professional fees	1,477,951	2,943,773
Insurance expenses	129,309	112,209
Maintenance expenses	96,818	57,996
Rent	342,819	298,255
Ramalla office expenses	-	538,046
Hospitality and hotels	466,729	213,139
Printing and stationary	50,539	37,094
Membership, subscriptions fees and commission	367,920	451,211
Donations	655,311	991,333
General expenses on projects	119,176	57,349
Post and telephones	307,746	244,620
Others	740,837	622,120
	10,023,084	**11,070,659**

(20) Earnings Per Share

This item consists of the following:

	2004	2003
Net income	114,679,503	40,128,638
Weighted average number of shares	574,000,000	574,000,000
Earnings per share	0.2	0.07

(21) Cash and Cash Equivalent

Cash and cash equivalent that appears in the cash flow statements consist of amounts that appear in the balance sheet and are as follows:

	2004	2003
Cash on hand and at banks	47,246,134	43,787,006
Less: Deposits – Ministry of Finance	40,721,903	35,814,290
	6,524,231	**7,972,716**

(22) Risk Management

Interest Rate Risk

The fund is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, loans originated by the fund, due to banks, lease obligations and term loan).

Credit Risk

The fund maintains its bank accounts and deposits in reputable financial institutions.

The fund seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Liquidity Risk

The fund limits its liquidity risk by ensuring bank facilities are available. The fund's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within a reasonable days of the date of purchase.

Currency Risk

Most of the transactions are dominated in United State Dollars, except for investments held in Tunisia, Algeria and Palestine.

(23) Fair Values of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities.
Financial assets consist of cash and bank balance, receivables investments and other assets, financial liabilities consist of bank overdrafts, term loans, obligations under finance leases, payables, and accrued expenses.
The fair values of financial instruments are not materially different from their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(24) Segment Information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the year ended December 31,2004.

2004	Palestine Investment Fund	Palestine Commercial Services Company	American School	Tri Fitness Company	Hanadi Tower	Bulk Express	Eliminations	Total
Operating revenue	90,161,623	76,888,290	372,175	220,836	69,166	1,486,011	-	169,198,101
Net income (loss)	111,580,490	4,749,481	(1,372,685)	(203,308)	(144,663)	70,188	-	114,679,503
Fixed assets	39,462,902	813,873	5,615,146	5,294,957	5,834,694	320,560	-	57,342,132
Total Assets	1,013,988,608	24,448,922	6,840,581	5,574,684	5,861,729	664,303	(45,506,395)	1,011,872,432
Total Liabilities	59,088,882	7,495,852	3,956,854	3,220,935	5,506,392	356,187	(23,717,823)	55,907,279

2003	Palestine Investment Fund	Palestine Commercial Services Company	American School	Tri Fitness Company	Eliminations	Total
Operating revenue	59,481,562	62,604,128	564,286	221,431	-	122,871,407
Net income (loss)	43,886,270	(2,022,494)	(1,730,420)	(4,718)	-	40,128,638
Fixed assets	44,449,528	1,478,898	5,691,123	4,050,104	-	55,669,653
Total Assets	785,625,212	29,953,488	6,608,837	4,810,454	(27,566,697)	799,431,294
Total Liabilities	71,433,944	17,516,492	2,352,424	2,250,464	(6,885,563)	86,667,761

(25) Related Party Transactions

Palestine Investment Fund granted an investment loan to a related party company of USD 15,000,000. The loan balance as of December 31, 2004 amounted to USD 14,855,145. The loan was repaid in full during 2005.

(26) Income Tax

The Palestine Investment Fund and Palestine Commercial Services Company are exempt from income tax in the Palestinian National Authority territories.

(27) Contingencies

PIF is contingently liable for costs associated with winding down the operations of some investments that were transferred by the Palestinian National Authority to the Palestine Investment Fund. The amount of liability, if any, is not quantifiable and therefore was not provided for in the attached financial statements.